

May 28, 2019

VIA ECFS

Marlene H. Dortch Secretary Federal Communications Commission 445 12th Street SW Washington, DC 20554

Re: Business Data Services in an Internet Protocol Environment; Special Access for Price Cap Local Exchange Carriers; Regulation of Business Data Services for Rate-of-Return Local Exchange Carriers; WC Docket Nos. 16-143, 05-25 & 17-144.

Dear Ms. Dortch:

Pursuant to the protective orders governing submissions in the business data services proceedings, Sprint Corporation ("Sprint") hereby submits a redacted version of reply comments filed in response to the Commission's April 15, 2019 Public Notice.¹

The unredacted reply comments contain highly confidential information protected under the following protective orders adopted by the Commission:

- Modified Protective Order² in WC Docket No. 05-25, RM-10593
- Second Protective Order³ in WC Docket No. 05-25, RM-10593
- Data Collection Protective Order⁴ in WC Docket No. 05-25, RM-10593

See Wireline Competition Bureau Seeks Focused Additional Comment in Business Data Services and USTelecom Forbearance Petition Proceedings and Reopens Secure Data Enclave, Public Notice, DA 19-281 (Wireline Comp. Bur. rel. Apr. 15, 2019).

² See Special Access Rates for Price Cap Local Exchange Carriers, Modified Protective Order, DA 10-2075, 25 FCC Rcd. 15,168 (Wireline Comp. Bur. 2010).

³ See Special Access Rates for Price Cap Local Exchange Carriers, Second Protective Order, DA 10-2419, 25 FCC Rcd. 17,725 (Wireline Comp. Bur. 2010) ("Second Protective Order").

⁴ See Special Access for Price Cap Local Exchange Carriers et al., Order and Data Collection Protective Order, DA 14-1424, 29 FCC Rcd. 11,657 (Wireline Comp. Bur. 2014) ("Data Collection Protective Order").

Business Data Services Data Collection Protective Order⁵ in WC Docket No. 05-25, RM-10593.6

Highly confidential treatment of the designated portions of the unredacted document is required to protect information regarding the "locations that companies serve with last-mile facilities," and "[p]ricing . . . information" for business data services. The designated information is not available from public sources, and, "if released to competitors, would allow those competitors to gain a significant advantage in the marketplace."9

Consistent with the procedures specified in the protective orders and the Second Further Notice and Further Notice, Sprint is also submitting an original and copy of the unredacted version for filing in WC Docket No. 16-143, and two additional copies of the unredacted version for filing in WC Docket No. 05-25.

Please contact me if you have any questions or require any additional information.

Sincerely,

Shiva Goel

Counsel to Sprint Corporation

See Investigation of Certain Price Cap Local Exchange Carrier Business Data Services Tariff Pricing Plans et al., Order and Protective Orders, DA 15-1387, 30 FCC Rcd. 13,680, App. A (Wireline Comp. Bur. 2015).

See also Business Data Services in an Internet Protocol Environment et al., WC Docket Nos. 16-143, 15-247, and 05-25, RM-10593, Order, 31 FCC Rcd. 7104 (Wireline Comp. Bur. 2016) (extending "the procedures for submitting and accessing Confidential Information adopted in the" protective orders specified above "to Confidential Information filed in the record in WC Docket No. 16-143").

Second Protective Order ¶ 6.

Letter from Sharon E. Gillett, Chief, Wireline Competition Bureau, to Donna Epps, Vice President, Federal Regulatory Affairs, Verizon, DA 12-199, 27 FCC Rcd. 1545, 1548 (Feb. 13, 2012) (supplementing the Second Protective Order) ("Second Supplement to Second Protective Order").

Second Protective Order ¶ 3; Second Supplement to Second Protective Order at 1546; Data *Collection Protective Order* ¶ 5.

Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of

Business Data Services in an Internet Protocol Environment

Special Access for Price Cap Local Exchange Carriers

Regulation of Business Data Services for Rate-of-Return Local Exchange Carriers

WC Docket No. 16-143

WC Docket No. 05-25

WC Docket No. 17-144

REPLY COMMENTS OF SPRINT CORPORATION

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INTRODUCTION AND SUMMARY

Faced with the results of the *April Data Tables*, the incumbent local exchange carriers ("ILECs") have abandoned the argument that competitive options exist along every DS1 and DS3 interoffice transport route in the country. Unwilling to acknowledge the fundamentally noncompetitive nature of DS1 and DS3 interoffice transport, however, the ILECs now claim that no competitive market test is necessary because there are sufficient areas in the country in which competitors can extend facilities directly to end users and thus bypass ILEC end offices altogether. This argument asks the Commission to go well beyond the findings of the *2017 BDS Order*—at a time when market developments demonstrate a need for even more protection of low-bandwidth BDS customers. Because the ILECs have not shown that DS1 and DS3 interoffice transport services are subject to ubiquitous competition, even under the *2017 BDS Order*'s nearby competitor standard, the Commission should decline its proposal to deregulate interoffice transport on a nationwide basis.

In the unvacated portions of the 2017 BDS Order, the Commission determined that DS1 and DS3 end users cannot attract service from even a nearby competitor in over 30 percent of counties.³ The Commission further determined that the benefits of regulation exceed the costs of regulation in these counties, even though they are home to a much smaller percentage of total

See Wireline Competition Bureau Seeks Focused Additional Comment in Business Data Services and USTelecom Forbearance Petition Proceedings and Reopens Secure Data Enclave, Public Notice, DA 19-281 (Wireline Comp. Bur. rel. Apr. 15, 2019) (seeking comment on the April Data Tables, which report distances between fiber and ILEC wire centers).

² Business Data Services in an Internet Protocol Environment et al., Report and Order, 32 FCC Rcd. 3459 (2017) ("2017 BDS Order").

³ *Id.* ¶¶ 141-142, 152.

buildings with BDS demand.⁴ These findings cannot square with the ILECs' contention that nearby competition at the end user location exists virtually everywhere in the country. Nor do they support the ILECs' apparent position that rural America and the suburbs are not entitled to just and reasonable BDS rates.

To be sure, the Commission remains free to revisit the 2017 BDS Order's findings based on the evidence—and this record demonstrates the need for it to do so. ILEC pricing behavior continues to establish that the 2017 competitive market test was vastly overinclusive and resulted in the deregulation of local markets with insufficient low-bandwidth competition to ensure just and reasonable pricing. In light of this real-world experience, the Commission should rework its regulatory framework based on a more accurate assessment of market conditions. At a minimum, the Commission should refrain from any further deregulatory action that relies on the 2017 BDS Order's nearby competitor standard, as it has done previously when its triggers for deregulation were shown to be defective.⁵

I. NATIONWIDE DEREGULATION OF INTEROFFICE TRANSPORT WOULD CONFLICT WITH THE 2017 BDS ORDER'S COMPETITIVE MARKET TEST.

The ILECs claim that the Commission should deregulate interoffice transport everywhere in the country because "ubiquitous facilities-based competition" allows competitors to "bypass" ILEC networks "completely" by building facilities directly to the end user location.⁶ As explained below, however, the ILECs' evidence neither tests for competition at the end user

⁴ *Id.* ¶¶ 101, 141.

⁵ See Special Access for Price Cap Local Exchange Carriers et al., Report and Order, 27 FCC Rcd. 10,557 (2012) ("Suspension Order").

Letter from Patrick R. Halley, USTelecom, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 18-141 (filed May 6, 2019) ("USTelecom May 6, 2019 Letter"); see also Comments of AT&T, Inc., WC Docket Nos. 18-141 et al. (filed May 9, 2019) ("AT&T Comments").

location, nor demonstrates that such competition is sufficiently "ubiquitous" to forgo a competitive market test, in a manner consistent with the 2017 BDS Order. As a result, nationwide deregulation would be excessive even under the nearby competitor standard. It also would hit businesses located in rural America and the suburbs the hardest.

In the 2017 BDS Order, the Commission attempted to measure the ability of "nearby competitors . . . to compete for potential clients within an economically buildable distance from their networks." The Commission predicted that competitive local exchange carriers ("CLECs") could feasibly expand their networks to serve end user locations "within a half mile of a location served by a competitive provider." The Commission further determined that cable operators could feasibly serve any and all end user locations in census blocks with "a cable presence." The Commission thus deemed a county to be sufficiently competitive to eliminate rate regulation if 50 percent of locations with BDS demand are within a half mile of a building served by a competitive provider, or if 75 percent of census blocks in the county have service, business or residential, from a cable provider. As Sprint and others then explained, this test was highly overinclusive in its identification of competitive counties, because it dramatically overstated the feasibility of extending facilities in response to low-bandwidth demand, and of providing BDS over capacity-constrained cable hybrid fiber-coaxial networks. 11

⁷ 2017 BDS Order ¶ 130.

⁸ *Id.* ¶ 86.

⁹ *Id.* ¶ 133.

¹⁰ *Id.* ¶ 86.

See, e.g., Letter from Paul Margie, Counsel, Sprint Corporation, and John T. Nakahata, Counsel, Windstream Services, LLC, to Marlene H. Dortch, Secretary, FCC at 8-9, WC Docket Nos. 16-143 et al. (filed Apr. 17, 2017).

The ILECs now attempt to exacerbate the overinclusion by suggesting that competition at the end user location exists if there is fiber in the ground within a half mile. ¹² But the Commission already considered and rejected this flawed approach. In the *2017 BDS Order*, the Commission evaluated competition at the end user location based on the proximity of buildings to actual competitor connections, and not mere fiber in the ground, as just discussed. ¹³ Noting that CLECs must extend their networks from a "viable fiber junction point," ¹⁴ the Commission determined that "measuring from locations where business data services is actually being provided by a competitor is a better measure of potential competition." ¹⁵ The ILECs provide no basis for the Commission to revisit this conclusion.

The ILECs' assertion that competition at the end user location is "ubiquitous" enough to warrant nationwide deregulation also conflicts with the 2017 BDS Order. ¹⁶ According to the ILECs, if 89 percent of U.S. households live in a census block with cable service, then the whole marketplace should be deregulated—everywhere in the country. ¹⁷ The ILECs likewise suggest that if about 92.1 percent of buildings are near fiber in the ground, the same outcome would be

Comments of CenturyLink at 2, WC Docket Nos. 18-141 et al. (filed May 9, 2019) ("CenturyLink Comments") (claiming that transport deregulation is appropriate because "92.1 percent of buildings" are "within a half mile" of fiber in the ground); AT&T Comments at 6 (same); USTelecom May 6, 2019 Letter at 2 n.7 (same).

^{13 2017} BDS Order ¶ 132; see also Comments of Sprint Corporation at 5, WC Docket Nos. 16-143 et al. (filed May 9, 2019) ("Sprint Comments"); Comments of INCOMPAS at 8-9, WC Docket Nos. 18-141 et al. (filed May 9, 2019) ("INCOMPAS Comments").

¹⁴ 2017 BDS Order ¶ 41.

¹⁵ *Id.* ¶ 132 n.404.

USTelecom May 6, 2019 Letter at 10 (claiming that "the Commission can find that transport is competitive nationwide for all services and that forbearance from the UNE transport requirements is necessary" on the basis of competition at the end user "alone").

¹⁷ CenturyLink Comments at 4; AT&T Comments at 3; USTelecom May 6, 2019 Letter at Attachment, p.4.

warranted. But even if it were true that these buildings benefited from competition, it would not follow that all other buildings should remain exposed to monopolist rates, terms, and conditions. Indeed, relying on the same data on cable presence, the 2017 BDS Order explicitly concluded that the benefits outweigh the costs of ensuring that buildings in non-competitive counties remain subject to price cap regulation, even though those counties accounted for less than 10 percent of the more than one million buildings with BDS demand. The Commission viewed regulation as appropriate in all "regions" of the country where "broad entry . . . may not occur," regardless how many BDS customers required service in those areas. 20

Not only does the ILECs' reasoning defy the 2017 BDS Order, it also contradicts the Commission's commendable focus on improving rural connectivity in nearly every aspect of its regulatory agenda. As the Commission recognized, buildings that do not meet the nearby competitor standard are very likely to be located in areas with low "demand density"—i.e., areas outside of dense downtown environments. Yet these are the very same buildings that the ILECs claim the Commission can overlook by bluntly deregulating interoffice transport everywhere in the country. Moreover, "much of rural America, and parts of the suburbs," will depend on DS1s and DS3s "[f]or the foreseeable future." Thus, the ILEC position appears to be that businesses in rural America and the suburbs should pay monopolist rates for years—for no other reason than that they are fewer in number than their urban counterparts. The

¹⁸ CenturyLink Comments at 2; AT&T Comments at 6; USTelecom May 6, 2019 Letter at 2 n.7.

¹⁹ 2017 BDS Order ¶ 101.

²⁰ *Id*.

²¹ *Id.* ¶ 230.

Comments of Sprint Corporation at 10, WC Docket Nos. 16-143 et al. (filed Feb. 8, 2019) ("Sprint February 2019 Transport Comments").

Commission should reject the ILECs' unreasonable approach, and pursue a regulatory framework that ensures competitive rates for businesses wherever they are located.

Importantly, the Commission's stated rationale for treating interoffice transport distinctly from channel terminations no longer holds true under the ILECs' primary theory of transport competition. In the vacated portion of the 2017 BDS Order and the Second Further Notice, the Commission suggested that it would be more feasible for competitors to construct an alternative to ILEC interoffice transport if they are able to aggregate very large volumes of traffic into the new transport facility.²³ Yet there is no such aggregation when the facility providing a competitive constraint is simply a lateral to the end user location. Put simply, there is no reasonable basis for applying a competitive market test to channel terminations and not interoffice transport when the claimed source of competition for both services—the feasibility of CLEC or cable construction directly to the end user—is one and the same.

To the extent the ILECs continue to claim that competition at the wire center supports nationwide deregulation, the *April Data Tables* only further confirm the need for a competitive market test of some kind. As an initial matter, while the ILECs claim that 80 percent of verified wire centers have nearby fiber, they never explain their methodology for reaching that number. The *April Data Tables* suggest that the figure is closer to 76 percent, and 66 percent in areas that are not already subject to pricing flexibility.²⁴

Moreover, none of these percentages report the share of wire centers where BDS buyers have a competitive alternative to interoffice transport—even under the highly overinclusive nearby competitor standard. First, as USTelecom itself recognized, "ILEC transport routes

²³ 2017 BDS Order ¶ 92 n.294; see also id. \P 82.

²⁴ See Sprint Comments at 7; INCOMPAS Comments at 3.

connect ILEC wire centers."²⁵ As a result, to provide competition along any given ILEC transport route, a nearby transport competitor would have to extend facilities to the serving ILEC wire center *and* interface with the carrier needing interoffice transport at another ILEC wire center (or other point of interconnection). Not only do the *April Data Tables* fail to examine whether demand would support a half-mile build to the serving wire center, they make no effort to determine whether a nearby competitor is an "economically buildable" distance from a point of interconnection with its customer carrier.

In further contravention to the methodology employed in the 2017 BDS Order, the April Data Tables measure distances to the wire center from fiber in the ground rather than a splice or access point.²⁷ They also erroneously include cable companies as potential providers of transport from an ILEC end office, even though cable companies will not collocate at a serving wire center.²⁸ Declarations submitted by INCOMPAS members underscore the point. They explain that there are no competitive transport options in many parts of country,²⁹ echoing a

USTelecom May 6, 2019 Letter at 10.

²⁶ See Sprint Comments at 3, 7; INCOMPAS Comments at 11-12.

See, e.g., Sprint Comments at 4; INCOMPAS Comments at 10; 2017 BDS Order \P 132 n.404.

²⁸ Sprint Comments at 5-6; INCOMPAS Comments at 13.

See Declaration of Douglas Denney ¶¶ 4-5 (May 9, 2019), attached as Attachment 1 to INCOMPAS Comments (explaining that there are few, if any, competitive transport options in Allstream's service territory); Declaration of Kerem Durdag ¶ 4 (May 9, 2019), attached as Attachment 2 to INCOMPAS Comments (same for GWI telecom); Declaration of James Bellina ¶ 2 (May 9, 2019), attached as Attachment 3 to INCOMPAS Comments (Dialog Telecom); Declaration of Jeffrey Buckingham ¶¶ 3-4 (May 9, 2019), attached as Attachment 4 to INCOMPAS Comments (Digital West); Declaration of Mark Sollenberger ¶¶ 4, 6, 9 (May 9, 2019), attached as Attachment 5 to INCOMPAS Comments (First Communications); Declaration of Dan Bubb ¶ 6 (May 9, 2019), attached as Attachment 6 to INCOMPAS Comments (Gorge Networks); Declaration of R. Matthew Kohly ¶¶ 5, 8 (May 9, 2019), attached as Attachment 7 to INCOMPAS Comments (Socket Telecom); Declaration of Mark Iannuzzi ¶ 6 (May 9, 2019), attached as Attachment 8 to INCOMPAS Comments (TelNet);

complaint that AT&T itself made to the Commission just this past December.³⁰

Finally, even if the Commission arbitrarily assumed the presence of alternatives to the ILEC at 80 percent of serving wire centers, that result in no way suggests that competition is "ubiquitous" and warrants nationwide deregulation. As the 2017 BDS Order made clear, the Commission cannot simply ignore conditions in the thousands of wire centers that comprise the remaining 20 percent, and the connectivity needs of businesses that fall within their boundaries. Moreover, as Sprint explained, any such conclusion would further undermine the 2017 BDS Order by allowing "price cap ILECs . . . to counteract price caps even where the 2017 BDS Order deemed pricing regulation necessary," because incumbents could "simply raise DS1 and DS3 transport prices to offset any price cap reductions for channel terminations, thereby ensuring that the total price for a BDS circuit remains at the profit-maximizing level for the ILEC and eliminating any benefits that price cap reductions would have for those BDS consumers." 33

II. ACTUAL MARKET DEVELOPMENTS FAVOR MORE, NOT LESS, PROTECTION FOR LOW-BANDWIDTH BDS CONSUMERS.

Because the ILEC case for transport deregulation fails even under the 2017 BDS Order's

Declaration of Dusan Janjic ¶ 4 (May 9, 2019), attached as Attachment 9 to INCOMPAS Comments (Virginia Global Communications Systems).

Letter from Matt Nodine, Assistant Vice President, Federal Regulatory, AT&T Services Inc., to Marlene H. Dortch, Secretary, FCC at 2, WC Docket No. 18-155 (filed Dec. 3, 2018) (acknowledging that there are "areas where there are no realistic transport alternatives and where it would be prohibitively expensive to deploy them").

³¹ 2017 BDS Order ¶ 101.

³² See Sprint February 2019 Transport Comments at 9.

Letter from Paul Margie, Counsel, Sprint, to Marlene H. Dortch, Secretary, FCC, at 5, WC Docket No. 16-143 et al. (filed Nov. 9, 2016) ("Sprint November 9, 2016 Ex Parte") (emphasis in original).

analysis, the Commission must decline its proposal to eliminate rate regulation nationwide. Indeed, to the extent the record warrants a departure from the 2017 BDS Order's findings, it requires the Commission to pursue an alternative to the overinclusive nearby competitor standard.

In the 2017 BDS Order, the Commission predicted that the presence of a nearby competitor would "discipline prices" and ensure just and reasonable rates for ILEC DS1 and DS3 services.³⁴ After the 2017 BDS Order took effect, however, the ILECs raised DS1 and DS3 BDS rates by remarkable amounts in areas where they are not subject to price cap regulation. For example, Sprint reported that a large price cap ILEC recently raised DS1 and DS3 rates by [BEGIN HIGHLY CONFIDENTIAL] END HIGHLY CONFIDENTIAL, after having already imposed [BEGIN HIGHLY CONFIDENTIAL] **END HIGHLY CONFIDENTIAL**] rate increases just last year. As Sprint also reported, AT&T raised rates for DS1s and DS3s by an average of 14 percent in all 22 states within its incumbent territory, effective May 15.35 INCOMPAS similarly explained that "CenturyLink's interstate channel mileage rates in one area has increased by 86% between May 2018 and May 2019."³⁶ Allstream likewise reported that "CenturyLink . . . increased the prices of DS1 channel terms and DS1 transport by more than 100 percent for many of our circuits across our service territory" in the wake of the 2017 BDS Order.³⁷

These increases—for services delivered over fully or nearly fully depreciated network

 $^{^{34}}$ *Id.* ¶ 15.

AT&T Prime Access, 2019 Special Access Rate Changes (revised Apr. 12, 2019), https://primeaccess.att.com/shell.cfm?section=98.

³⁶ INCOMPAS Comments at 7.

Id. at Attachment 1 \P 9.

plant—would have been impossible if nearby competitors as defined in the 2017 BDS Order imposed meaningful competitive pressure on ILEC DS1 and DS3 rates. Indeed, history demonstrates that ILECs have routinely raised rates in the wake of overbroad deregulation. ³⁸ Evidence that ILEC customers in need of relief from monopolist rates have found "no competitive facilities-based providers" to whom to turn, even in counties "deemed 'competitive' under the [2017] BDS Order," further demonstrates that the Commission's predictions of robust competition were simply incorrect.

Under these circumstances, rather than entertain proposals to free the ILECs' low-bandwidth monopoly from all remaining regulatory constraints, the Commission should shift its focus toward ensuring that businesses in every part of the country have access to dedicated connectivity at competitive rates. At the very least, the Commission should not further deregulate ILEC TDM services based on the nearby competitor standard or the less accurate variants being proposed by the ILECs. Indeed, the last time the record cast doubt on triggers for deregulation previously adopted by the Commission, the Commission formally suspended any additional grants of regulatory relief pending the adoption of "permanent replacement rules." Given the continued importance of low-bandwidth BDS to enterprise connectivity needs, especially in rural and suburban America, 42 the same caution is warranted here.

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See Sprint November 9, 2016 Ex Parte at 5 (explaining that ILECs charge a premium for DS1s and DS3s in Phase II price flex areas).

³⁹ INCOMPAS Comments at Attachment 2¶ 4; *see also supra* note 29.

⁴⁰ INCOMPAS Comments at 21.

⁴¹ See Suspension Order \P 1.

⁴² See Sprint February 2019 Transport Comments at 8-10.

CONCLUSION

Nationwide deregulation of interoffice transport is unwarranted and unsupported by the record before the Commission. It also would be inconsistent with the portions of the 2017 BDS Order to which the Eighth Circuit deferred. Moreover, new evidence confirms that the 2017 BDS Order was far too optimistic in its predictions of competition. Thus, the Commission should reject the proposed elimination of price caps for DS1 and DS3 interoffice transport, and work to repair its BDS regulatory framework in light of the demonstrated need for a more reliable measure of competition.

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May 28, 2019

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